

Message Text

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C O N F I D E N T I A L LONDON 20374

E.O. 11652: GDS
TAGS: ENRG, UK, EALR
SUBJECT: UK ENERGY POLICY: NEW ENERGY COMMISSION
UNLIKELY TO CHANGE BENN'S PRIORITIES

1. SECRETARY OF STATE ANTHONY WEDGWOOD BENN IS EXPECTED TO ANNOUNCE AROUND CHRISTMAS THE ESTABLISHMENT OF AN ENERGY COMMISSION RESPONSIBLE FOR ADVISING THE GOVERNMENT ON IMPORTANT ENERGY POLICY ISSUES. AS THE ONLY CONCRETE RESULT OF BENN'S MUCH ADVERTISED NATIONAL ENERGY CONFERENCE HELD LAST JUNE (ENERGY PAPER NUMBER 13, VOLUMES I AND II), THE CREATION OF THE NEW COMMISSION IS APT TO BE ACCOMPANIED BY CONSIDERABLE FANFARE. IT REPORTEDLY WILL BE CHARGED WITH PROVIDING VIEWS ON THE FORMULATION OF A NATIONAL FUELS STRATEGY AND THE APPROPRIATE METHODS FOR IMPLEMENTATION. LEADERS OF THE COAL, OIL, GAS AND ELECTRICITY INDUSTRIES AND MANAGEMENT AND TRADE UNION OFFICIALS WILL BE HEAVILY REPRESENTED ON THE NEW BODY. DEPARTMENT OF ENERGY SOURCES BELIEVE IT WILL BE SEVERAL MONTHS BEFORE MEMBERS OF THE COMMISSION ARE APPOINTED AND WORK ACTUALLY BEGINS. IN ADOPTING THE COMMISSION APPROACH, BENN APPARENTLY
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HAS DECIDED AGAINST CREATION OF A NATIONAL FUEL CORPORATION AS SUGGESTED INITIALLY BY SEVERAL TRADE UNION LEADERS. TREASURY AS WELL AS ENERGY DEPARTMENT OFFICIALS WERE OPPOSED TO FURTHER CONSOLIDATION OF THE ALREADY SUBSTANTIAL BUDGETS OF THE VARIOUS NATIONALIZED FUEL INDUSTRIES. SIMILARLY, BENN DISMISSED THE IDEA OF

HOLDING PERIODIC MEETINGS OF A MINI-CONFERENCE. MODELED AFTER LAST JUNE'S EXERCISE, AS BEING TOO UNWIELDY.

2. ENERGY DEPARTMENT OFFICIALS STATE THAT THE COMMISSION WILL PUBLICIZE ITS VIEWS, POSSIBLY IN THE FORM OF GREEN PAPERS, WHICH WILL AFFORD AN OPPORTUNITY FOR THE GENERAL PUBLIC TO COMMENT. AMONG THE SPECIFIC QUESTIONS THE COMMISSION MAY BE ASKED TO DEAL WITH EARLY ON ARE THE RELATIONSHIP BETWEEN GOVERNMENT AND NATIONALIZED INDUSTRIES AND THE CONTEMPLATED RESTRUCTURING OF THE ELECTRICITY SUPPLY INDUSTRY. AN ADDITIONAL ADVISORY BODY ALONG THE LINES SUGGESTED IS IDEALLY SUITED TO SECRETARY BENN'S PHILOSOPHY OF "OPEN GOVERNMENT" WITH ITS EMPHASIS ON MORE PUBLIC EDUCATION, DISCLOSURE OF INFORMATION AND WIDESPREAD "PARTICIPATION" IN THE AFFAIRS OF STATE. AWAITING THE OUTCOME OF THE DELIBERATIONS OF SUCH AN ENTITY ALSO WILL PROVIDE BENN WITH A PERFECT EXCUSE FOR TEMPORIZING WITH RESPECT TO HARD, CONTROVERSIAL DECISIONS, WHICH MUST BE TAKEN ON A NUMBER OF ENERGY POLICY ISSUES.

3. WHATEVER THE IMPACT IN AREAS OF HIGH POLICY, IT IS DOUBTFUL A NEW COMMISSION WILL HAVE MUCH EFFECT ON THE WORKING RELATIONSHIP BETWEEN DEPARTMENT OF ENERGY OFFICIALDOM AND HEADS OF THE VARIOUS NATIONALIZED FUEL INDUSTRIES, AT LEAST NOT IN THE SHORT RUN. THE DEPARTMENT OF ENERGY HAS CLEAR RESPONSIBILITY FOR APPROVING NATIONALIZED INDUSTRY BUDGETS, EXERTS SUBSTANTIAL INFLUENCE OVER THEIR RESPECTIVE PRICING POLICIES AND HAS THE DECISIVE VOICE IN ASSESSING MAJOR PROJECT UNDER-

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TAKINGS BY THE COAL' GAS OR ELECTRICITY INDUSTRIES. MOREOVER, IT IS PROBABLE THAT BENN AS ENERGY SECRETARY WILL CONTINUE, REGARDLESS OF ANY ADVICE FROM THE NEW COMMISSION, TO: (1) GIVE FIRST PRIORITY TO RAPID EXPLOITATION OF NORTH SEA OIL AND GAS FOR THE BENEFIT OF THE UK AS A WHOLE, ALTHOUGH ATTEMPTS TO APPEASE SCOTTISH NATIONALISM WILL TEMPER THIS APPROACH; (2) APPROVE SUBSTANTIAL INVESTMENT IN THE COMPARATIVELY HIGH COST COAL INDUSTRY IN ORDER TO MAINTAIN OR SLIGHTLY INCREASE PRODUCTION; (3) PERMIT ADDITIONAL ELECTRICAL GENERATING CAPACITY TO BE BUILT IF REQUIRED TO SATISFY THE DEMANDS OF THE COAL MINERS UNION; AND, (4) DELAY CONSTRUCTION OF ADDITIONAL NUCLEAR POWER REACTORS, AND BLOCK FURTHER DEVELOPMENT OF FAST BREEDER REACTORS.

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